Citizens' Guide to Property Taxes

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DEPARTMENT OF LOCAL GOVERNMENT FINANCE

Committed to a fair and equitable property tax system for Hoosier taxpayers.

What is the Department of Local Government Finance and what does it do?

The Department of Local Government Finance (DLGF) is responsible for ensuring property tax assessment and local government budgeting are carried out in accordance with Indiana law. The DLGF publishes property tax assessment rules and annually reviews and approves the tax rates and levies of every political subdivision in the state, including all counties, cities, towns, townships, school corporations, libraries and other entities with tax levy authority. The DLGF promotes consistent assessing procedures throughout the state by providing guidance, technical instruction and securing compliance with the applicable laws to ensure the fair and accurate assessment of real and personal property for taxpayers and local officials. The DLGF works closely with local officials in preparing their annual budgets and to monitor and enforce statutory compliance with Indiana law. Additionally, the DLGF conducts on-going research and analysis in all areas of property taxation to ensure the fair distribution of the property tax burden in Indiana.

What is the purpose of property taxes?

Property taxes are the primary source of funding for local governments. They use these dollars to pay for a variety of services including welfare, police and fire; new construction and maintenance of buildings; local infrastructure like highways, roads and streets; libraries; and schools.

How are property taxes determined and calculated?

Property taxes represent a property owner's portion of the local government's budgeted spending for the previous year. Increases or decreases depend upon a local government's fiscal management, the assessed valuation of a property and/or local tax rates, which are based on the budget proposals submitted by local government taxing entities that provide services to each community.

To calculate an individual's property tax bill, the county official takes the tax rate multiplied by the assessed value after all deductions are subtracted and after all state credits (homestead and property tax replacement credits) are applied. Tax rates are determined by dividing the estimated amount of funds to be raised by the local unit of government by the net assessed value of all property in a county, minus the applicable deductions.

What factors contribute to property tax increases?

Local spending is the reason for property tax increases – or decreases – depending on a local fiscal management. Other factors that contributed to increases during the 2006 Pay 2007 cycle include the elimination of the inventory tax and the onset of the annual adjustment process, also known as "trending."

Where can I get more information on property taxes, budgets and assessments?

The DLGF's Web site (www.in.gov/dlgf) offers a variety of resources to educate and inform taxpayers. The site also features search tools to provide taxpayers with sales disclosure and assessment information on properties statewide. This information can be used in the appeal process or to allow taxpayers to better understand how assessors determine a property's assessed value.

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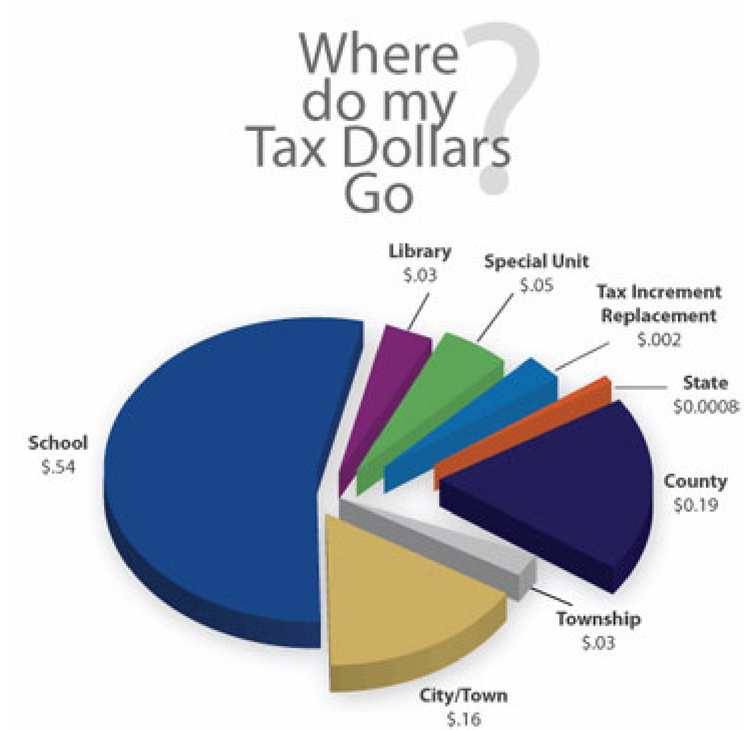
Where are my property tax dollars going?

Property tax dollars are primarily used to finance local governments. Of every property tax dollar you pay, 99 cents goes to fund for local government services provided by counties, cities, school corporations and libraries.

Statewide average revenue distribution of each property tax dollar:

- State: $.01
- Township: $.03
- Library: $.03
- Special Unit: $.05
- City/Town: $.16
- County: $.18
- School: $.54



Every property tax dollar funds several components of local government in Indiana. This graph displays where on average each property tax dollar goes.

What is "Trending?"

"Trending" is the annual adjustment process that is part of Indiana's move to a market-based assessment system that began in 2002. Similar market-based assessment systems are currently being used in 48 other states. The idea behind "trending" is to adjust the assessed value of property annually depending on the sales prices of similar properties within the same area, making assessments more accurate and more evenly distributing the property tax burden to all taxpayers. Under this system, the assessed value should reflect the amount a willing buyer would pay for the property at the time of assessment.

Annual adjustments are calculated by comparing the prior year assessment with current sales data from a neighborhood. The difference, positive or negative, will be used to create a factor that assessing officials will apply to the property's assessed value to bring it to current market value. When a property owner receives the notice of new assessment, the best way to determine if it is accurate is to ask if the property could have sold for roughly that amount.

How is this different from the previous system of assessment?

The old system reassessed property every 10 years and based the assessed value on replacement cost less depreciation. That left taxpayers with a large change in their assessments every decade. Indiana's annually adjusted market-based assessments curb the previous large lump sum change in assessments by annually adjusting values based on sales data for a particular property type in a neighborhood or area.

What if I disagree with my assessment?

If you feel your assessment does not reflect the market value of your home, you may appeal your assessment. You may file a Form 130 or write a letter to your Township Assessor within 45 days of receiving your tax notice or bill. If you believe that there is an error on your assessment you may submit a Form 133 (Petition for Correction of Error) to the County Auditor. *Indiana law does not require taxpayers to submit appraisals to appeal their assessment.*

What are the local taxing entities and taxing districts?

Taxing entities include township assistance and welfare, police and fire service, school corporations, and libraries. Taxing districts make up a specific area within a county that includes taxes for all services in that community. These will include more than one taxing entity. For more information on all taxing entities and districts in your county, please see the 2006-2007 Certified Levy Comparison at www.in.gov/dlgf/rates/. The following Web site will give you a list of taxing districts by township: www.in.gov/dlgf/pdfs/Township_Taxing_District_Associations.pdf.

How can I find out what the tax rate is for my taxing district?

For information about each district rate for those counties that have been certified for 2007, please see www.in.gov/dlgf/rates/.

What is the difference between a tax rate and a levy?

A tax rate is the percentage used to determine how much a property taxpayer will pay. A levy represents the total amount of funds a local unit of government may collect on a tax rate. In other words, the levy is a cap on the amount of property tax dollars a local government is allowed by law.

How do I find out when and where local budget hearings will be held?

Public local budget hearings are usually scheduled in August and September to comply with a statutory deadline for counties to adopt budgets by Sept. 30 of each year. Additionally, the DLGF will begin holding local budget hearings after we receive Certified Assessed Values from the county. Because each county may submit this information at different times, the timing of budget hearings in each county may vary. Notices about the hearings must be published in the local newspaper at least three times.